

## UF survey: Florida's real estate report mixed

GAINESVILLE, Fla. – Dec. 7, 2007 – All is not gloom and doom with Florida real estate, according to the latest University of Florida study, which finds a positive outlook for commercial properties despite the bad news in the housing market.

"There is more than one world of real estate, and while you can paint a very grim picture of single-family housing and condos, rental and commercial property look on balance to be healthy and normal even though they are not as rosy as they were a year ago," said Wayne Archer, director of UF's Bergstrom Center for Real Estate Studies.

The findings are from the center's quarterly survey of Florida real estate trends that was completed in October. A total of 339 professional real estate analysts and investors participated in the survey, with appraisers making up the largest group, 60 percent, followed by consultants, 10 percent, and brokers, 9 percent.

The report's release coincides with Florida being reported as one of a handful of states most vulnerable to the effects of the subprime mortgage fallout, with one widely quoted property expert even going so far as to say that "Florida is the epicenter of all things wrong with the housing industry," Archer said.

"What these apocalyptic accounts fail to consider is that job formation and migration to the state are still strong, and these are the factors that drive the real estate market," he said.

Many of the pessimistic reports look only at the single family and condo picture, which are not doing well, but investment, occupancy and rental rates for retail, office, industrial and hospitality are considered to be progressing normally, although not in as good a shape as a year ago, Archer said.

The outlook for nearly all of the commercial and rental markets — apartment, office, retail and industrial — calls for them to increase slightly less than the rate of inflation compared to slightly more than the rate of inflation that was predicted a year ago, he said.

"With all the horror stories in the news about foreclosures, people can't help but be a little more sober and cautious," he said.

The one segment of the single-family market upon which the UF survey collects detailed information, the new home market, is the least distressed, Archer said. "While the outlook for existing home sales is grim for the next quarter or two and possibly even over the next year, the outlook for new home sales looks like it's going to be stable a year from now, at least in some markets," he said.

Inventories of existing single-family homes are at their highest levels in a long time, with part of the problem stemming from second home purchases, Archer said. Many people who were disappointed with the stock market returns invested their retirement savings in second homes or rental homes with the intention of selling them for a quick profit, only to have the market turn sour, leaving a huge inventory, he said.

To make matters worse, people who might normally meet the marginal requirements for a mortgage can no longer qualify because of the current credit crunch, Archer said. At the same time, homeowners who are selling expect to get the same price they might have received a year or two ago, he said.

"Unfortunately, those prices had inflated enormously and in most cases there is simply going to have to be some adjustment over the next year or two," he said.

Florida's housing picture is the worst on the southwest coast, particularly for existing single-family homes, but it is mixed in southeast Florida, Archer said. "While the condo story for Miami and southeast Florida is disastrous, it's a different situation with freestanding single-family homes, where the volume of sales is expected to stabilize in the next year or so," he said.

One factor to its advantage is that the southeast coast is a haven for international investment and the recent decline in the dollar makes it even more attractive, he said.

The single-family housing market is healthiest and apartment occupancy rates most stable in north and central Florida, Archer said. In Jacksonville, half the respondents expect an increase over the next year in absorption rates, the ability of the real estate market to sell off houses that are for sale, he said.

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